

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – SEPTEMBER 5, 2002

PRESENT: Chairman John Byrne and Commissioner Anthony Maiola; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Accountant

EXCUSED: Commissioner Patricia Russell

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending September 1, 2002 shows retail sales were down about 3.6% and on-premise sales were also down by 1.74%. However, figures indicate that off-premise sales increased by 27.3%, with total aggregate sales up by 1.92%. Although the traffic count increased by 1,905, the average sale was down \$2.01. There was brief discussion regarding why off-premise sales increased so much, and that this figure appeared to be erroneous. Chairman Byrne asked for a report, tomorrow if possible, showing total wine cases sold during the first two months of the new year (July and August). He also asked if there was any method used for red flagging incorrect figures. He said he would like to be able to discuss the financial reports each week rather than just hear a rote report. Accounting will use the top 100 off-premise licensees and run the two months sales against each other in order to determine the true increase.

The latest W-I Total Weekly Sales Report verified that total retail sales for the past week increased by 1.92% or \$145,000, and also increased for the year by 5.67% or \$3,576,753. Wine sales were up 8.73% or \$277,865 for the week, as they were for the year by 12.4% or \$3,296,411. Sales of spirits decreased on a weekly basis by almost 5% or (\$223,766), but were up year-to-date by 1.6% or \$596,130.

B. Budget Reports:

The current outstanding depletions and post-offs report showed nothing of real significance. There is one outstanding balance which should be paid shortly.

The Commission had two items before Governor and Council today, both of which were approved.

Craig attended an Ameresco close-out meeting with Tom Smith at which the total project and outstanding items were reviewed. There are a couple of outstanding invoices, one of which has not yet been received by the Commission. Chairman Byrne asked for a report on where the savings have occurred. Craig said Ameresco is required to submit such reports to the State. He also said, once the project is paid off, lower utility costs should be realized. Chairman Byrne asked that a separate budget line be set up showing a progression each month of such increases. Although not included in the contract, Ameresco agreed to pay for an independent company to come in and do air balancing tests throughout headquarters. A representative was in on Tuesday and will provide the results of the test, which Craig and Tom will review. It may be necessary to make some minor modifications, including installing dampers in those areas that need them. The contract did not include changing existing ductwork or supply/return vents in the building.

The W-6 Expense Budget Activity Report as of 9/3/2002 shows the year is now at about 17.8% completed. Actual agency expenditures are now at 18.3%, which indicates the gap is closing. \$22,000 less has been spent for utilities. Total current expenses are down about \$12,000, while Class 50 is down about \$34,000. There are no issues with the other big accounts.

A meeting will be held with Howard and John Bunnell about synchronizing month-end calendars, with a report to be submitted to the Commission next week at the latest. The Chairman said he would like to meet with them regarding this issue.

2. IT Report

Howard reported that the conversion testing is now going very well, and there should be no problem meeting the new targeted date. However, changing month-end calendars means work will start before month-end instead of after.

Howard spoke with Jerry Janicki of the NABCA, and the targeted date to install the SAM electronic filing system is September 30th. He thought John, Nicole and Rick would want to be involved in this in order to make use of the program. Chairman Byrne briefly described what SAM and its advantages are. Craig said that the meeting would be set up when an exact time had been decided.

II. MARKETING & SALES REPORTS

1. Store Operations

The current W-8 Sales Analysis by Location report shows store sales for the week ending September 1, 2002 were down by approximately (\$104,000) or 1.69%. Peter noted that 235% of this decrease could be attributed to three stores. However, the amount of the discount was also down substantially. Both the Lakes Region and lower Mt. Washington Valley stores were down, while the top 10 stores experienced increases. The first Sunday opening at the new Rochester location resulted in sales of almost \$4,000, and Store #9 in Dover did not take a big hit. Sales on Labor Day were down from last year.

Of note, the Merchandising Mania celebration was held this past Saturday at the Eagle Pond Lodge. Also, the Volkswagen Beetle in conjunction with the "Summer of Savings" program will given away on September 24th at Sweepstakes.

2. Warehouse Report

State stock is currently down, with nothing of significance to report at this time.

3. Purchasing Report

The Marketing Department has been working to solve inventory problems. Mike Goclawski from Law ran a report on low items, but John asked him for another one which would also include those completely out-of-stock. In the meantime, there have been conversations with some of the suppliers regarding out-of-stock wines, and United Beverages is also looking into those situations. In response to an inquiry from the Chairman, John will investigate as to whether or not off-premise licensees receive product before the Commission does.

4. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Citadelle Raspberry Flavored Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Martignetti Companies of N.H./M.S. Walker, Inc. for a new test market product listing for Citadelle Raspberry Flavored Vodka, 750ML size

(assigned four-digit Code #3533), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Landy's XO Cognac):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Martignetti Companies of N.H./M.S. Walker, Inc. for a new test market product listing for Landy's XO Cognac, 750ML size (assigned four-digit Code #4535), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Sauza Hornitos Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA to grant a line extension for Sauza Hornitos Tequila, 1.75L size, as this brand in the 750ML size has exceeded the gross profit required for an added size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Plantation Trinidad Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Martignetti Companies of N.H./M.S. Walker, Inc. for a new test market product listing for Plantation Trinidad Rum, 750ML size (assigned three-digit Code #712), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Recommendation (Codes #2511 & #8125):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission grant specialty status to Code #2511, Jameson Irish Whiskey, 750ML size and Code #8125, Minaki Blueberry Liqueur, 750ML size, both of which exceeded their respective gross profits required for specialty listing following a six-month test market period, as recommended by Richard Gerrish,

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Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Tabled Items (Items A-3-a, b & c – tabled from 8/22/02):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that this item be removed from the table, and that the Commission take individual actions regarding appeals received for six (6) spirit items, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listing (general distribution – Code #35472):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Martignetti Companies of N.H. for general distribution of Code #35472, Pinot Grigio Woodbridge Cal., 1.5L size, which has earned a gross profit of at least \$6,500 during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Billington Distributors Importer of the Year Display:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Company, based upon depletions of five (5) wine items, in conjunction with the Billington Distributors Importer of the Year display program, to be featured on sale during October 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Santi Sweepstakes Offer:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from United Beverages, Inc. of a special purchase based upon depletions of one (1) wine item, in conjunction with the Santi Sweepstakes Offer, to be featured on sale

during October and November 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Recommended Wine Specialty Products (27 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve twenty-seven (27) wine codes to be designated as wine specialty products, to be carried in wine specialty stores only, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated and Restricted Wines for Distribution to Selected Stores (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve four (4) recommended allocated and restricted wines to be distributed to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) 1999 Bordeaux Allocation & Marketing Plan:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a 1999 bordeaux allocation and marketing plan supported by United Beverages, Inc. featuring thirteen (13) wine codes from Connoisseur Wine Co. and thirty-two (32) wine codes from Diageo Chateau & Estate Wines Company, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) 99 Red Burgundy Diageo Chateau & Estates Marketing Plan:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a 99 red burgundy marketing plan supported by United Beverages, Inc. featuring fourteen (14) wine codes from Diageo Chateau & Estate Wines Company, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) Primary Source Submissions (1 item – primary source; 1 item – exclusive marketing agent; 10 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the listing of one (1) wine code which is from primary source, one (1) wine code which is not from primary source, but is offered by the exclusive marketing agent, and ten (10) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) December 2002 Wine Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the placement of all 750ML size bottles of wine on sale at a 10% discount when purchased in a mixed or matched case, and a 10% discount on all ports and sherries, during the December 2002 Wine Sale, scheduled for the period of December 2, 2002 through January 2, 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previously reviewed requests for bailment releases/transfers dated August 30 through September 5, 2002. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

John W. Byrne, Chairman

/D. Hartford

Anthony C. Maiola, Commissioner

